Deloitte.

2015 health care outlook
India

Spending on health care in India was an estimated five percent of gross domestic product (GDP) in 2013 and is expected to remain at that level through 2016.[2] Total health care spending in local-currency terms is projected to rise at an annual rate of over 12 percent, from an estimated $96.3 billion in 2013 to $195.7 billion in 2018.[3] While this rapid growth rate will reflect high inflation, it will also be driven by increasing public and private expenditures on health.[4]

Estimated health care expenditure: $96.3 billion in 2013

Health care as a share of GDP: 5.0 percent in 2013[1]

Industry chamber Assocham estimates that India's medical tourism sector is likely to more than double between 2011 and 2015, from $980 million to $1.8 billion. According to the Ministry of Tourism, which governs India's medical tourism industry, the percentage of foreign tourists who came to India for medical reasons increased from 2.2 percent in 2009 to 2.7 percent in 2010.[5]

India's public health care system is patchy, with underfunded and overcrowded hospitals and clinics, and inadequate rural coverage. Reduced funding by the Indian Government has been attributed to historic failures on the part of the Ministry of Health and Family Welfare (MHFW) to spend its allocated budget fully. This is despite increasing demand, due, in part, to growing incidence of age- and lifestyle-related chronic diseases resulting from urbanization, sedentary lifestyles, changing diets, rising obesity levels, and widespread availability of tobacco products. India's health care sector witnesses close to 50 percent spend on in-patient beds for lifestyle diseases, especially in urban and semi-urban pockets.[6] In addition, India has one the world's highest numbers of diabetes sufferers, at more than 65 million individuals.[7] This trend has resulted in the mushrooming of super specialty hospitals to combat lifestyle diseases.

The government's low spending on health care places much of the burden on patients and their families, as evidenced by the country's out-of-pocket (OOP) spending rate, one of the world's highest.[8] According to the World Health Organization (WHO), just 33 percent of Indian health care expenditures in 2012 came from government sources. Of the remaining private spending, around 86 percent was OOP.[9]

Several public health insurance systems exist, such as state-level employee insurance for industrial workers and the central government's health care plan for civil servants.

1   *Industry Report, Healthcare: India*, The Economist Intelligence Unit, July 2014
2   Ibid
3   Ibid
4   Ibid
5   Indian Medical Tourism http://articles.economictimes.indiatimes.com/2011-08-05/news/29855146_1_medical-tourism-medical-tourists-foreign-patients
6   IBEF Healthcare March 2014
7   Ibid
8   Healthcare spending, http://www.livemint.com/Opinion/pl58bANi9zaF0AR2MkUYuN/Fixing-Indias-healthcare-system.html
9   Ibid

Several large companies also operate employee health policies.[10] While health insurance penetration in India is increasing,[11] it has been proposed that better accessibility to quality health care could be made possible by extending coverage to all employees in the private sector and by offering inexpensive health plans for the poor. This way, people can have full coverage for themselves, their families and elders.

The statistics for India's health infrastructure are below that of other large countries. The U.S. has one bed for every 350 patients while the ratio for Japan is 1 for 85. In contrast, India has one bed for every 1,050 patients. To match bed availability to the standards of more developed nations, India needs to add 100,000 beds this decade, at an investment of $50 billion.[12] Also, India's expenditure on health care information technology (HIT) is considerably low. Hospitals in India will need to increase their IT spend considerably to provide improved and patient-centric service.

The shortage of qualified medical professionals is one of the key challenges facing the Indian health care industry. India's ratio of 0.7 doctors and 1.5 nurses per 1,000 people is dramatically lower than the WHO average of 2.5 doctors and nurses per 1,000 people. Furthermore, there is an acute shortage of paramedical and administrative professionals. The situation is aggravated by the concentration of medical professionals in urban areas, which have only 30 percent of India's population. Many patients, especially those living in rural and semi urban areas, are still receiving services from unqualified practitioners. The industry needs an additional 1.54 million doctors and 2.4 million nurses to match the global average.[13]

India's health care professional and infrastructure shortage is one of the major reasons for the country's high mortality rate. Although there has been a consistent decline in the Infant Mortality Rate (IMR) and the Under-Five Mortality Rate (U5MR), based on robust projections, at the current rate of decline, India is unlikely to meet the targets for Millennium Development Goal (MDG)-4, which aims to reduce by two-thirds, between 1990 and 2015, the under-five mortality rate.[14]

HIT advances may help to mitigate some professional and infrastructure deficiencies. Telemedicine is a fast-emerging sector in India. In 2012, the telemedicine market in India was valued at $7.5 million, and it is expected to rise 20 percent annually, to $18.7 million by 2017. Telemedicine can bridge the rural-urban divide by extending low-cost consultation and diagnostic facilities to the remotest areas via high-speed Internet and telecommunications. In addition, India's solid mobile technology infrastructure and the launch of 4G is expected to drive mobile health (mHealth) adoption. Currently, there are over 20 mhealth initiatives for spreading awareness of family planning and other ailments – the industry is expected to reach $0.6 billion by 2017.[15]

India's new Bharatiya Janata Party (BJP)-led government is announcing a new health policy to focus on reducing malnutrition, improving the use of essential medicines, expanding immunization, modernizing public hospitals, and instituting a better tobacco control program. The government wants a holistic health care system that is universally accessible, affordable, and dramatically reduces OOP expenditures.[16]

10 Ibid
11 http://www.vibrantgujarat.com/images/pdf/Healthcare-Industry-new.pdf
12 Challenges in Indian Healthcare industry – Pratap Reddy, Apollo Hospitals (http://www.dnaindia.com/money/column-government-spending-and-private-investments-in-healthcare-is-need-of-the-hour-prathap-c-reddy-2005322
13 Fortis Healthcare Ltd – Annual Report March 2014 - http://www.fortishealthcare.com/pdf/Fortis_AR_2013-14.pdf
14 http://www.livemint.com/Politics/BBt6ln2uYBqq4bDHtmMxHJ/Healthcare-Focus-on-higher-spending-universal-coverage.html
http://www.unicef.org/india/FactsheetExperts.pdf
15 IBEF Healthcare March 2014
16 Industry Report, Healthcare: India, The Economist Intelligence Unit, July 2014

The Indian Government has accorded priority in its 2014-2015 budget to the health care sector. Key recommendations that will have a direct impact on enhancing health care access include a rise in foreign direct investment (FDI) limit in the medical insurance business to 49 percent; four more medical institutions of the status of All India Institute of Medical Sciences (AIIMS); 12 more medical colleges in the public sector; and broadband connections in rural areas to expand the reach of telemedicine. In addition, a $1.7 billion fresh fund allocation to encourage start-ups and another scheme for establishing biotech clusters will help to develop innovative health care technologies. Finally, the budget provisions also aim to address the infrastructure deficit by establishing institutions like AIIMS in all states and setting up 15 model rural health research centers to bridge the rural-urban divide.[17]

However, challenges remain. The vision for the plan period of 2012-2017 is to achieve acceptable standards of health care for the Indian populace. However, India still doesn't have a central regulatory authority for its health care sector. In 2011, a high-level expert group constituted by the Planning Commission of India suggested setting up a National Health Regulatory and Development Authority to monitor both government and private-sector health care providers. The group has also proposed to establish a National Health and Medical Facilities Accreditation Authority (NHMFA) for defining health care facility standards.[18]

Also, India's health care sector is capital-intensive, with long gestation and payback periods for new projects. Land and infrastructure costs account for 60-70 percent of the capital expenditure for hospitals.[19] Further, the industry also requires capital for upgrade/maintenance/replacement of medical equipment and expansion. Availability of capital at a reasonable cost remains a hurdle.[20]

One way to increase India's health care funding and access is through innovative public-private partnerships. While an appropriate model for partnerships at the primary, secondary, and tertiary levels still remains a distant dream, participation by the government and private sector will help create a blueprint for such partnerships to create an infrastructure for the future. One such example in India is SRL (Diagnostic), which has partnered with the Himachal Pradesh State Government to set up and operate 24 labs in the large state-run hospitals in various districts, thereby bringing superior diagnostics services to the doorstep of people in remote areas.[21]

Among other suggestions to improve care, companies should leverage information technology (IT) to create patient-centric healthcare systems that can improve response times, reduce human error, save costs, and impact the quality of life. At the same time, the government should focus on establishing more medical colleges and training institutes to provide the requisite doctors, dentists, nurses and paramedics. The government also should invest in preventive and social medicine by promoting health education and preventive health-care concepts.

[17] http://www.livemint.com/Politics/z61OFbm0eYrRlcsYEKmbsJ/Budget-offers-marginal-solution-to-Indias-unmet-healthcare.html
[18] Healthcare Industry July 2014, Emerging Markets Direct
[19] Fortis Healthcare Ltd – Annual Report March 2014 - http://www.fortishealthcare.com/pdf/Fortis_AR_2013-14.pdf
[20] Ibid
[21] SRL diagnostic http://www.thehindubusinessline.com/companies/srl-to-invest-rs-450-cr-for-setting-up-45-medical-diagnostic-labs/article6141707.ece

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